

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 AID-05 TRSE-00 OMB-01 SS-15 SP-02
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9781
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 14005

E.O. 11652: GDS
TAGS: EFIN EAID EG US IBRD IMF
SUBJ: ARAB AID TO EGYPT

REF: STATE 135986

1. SUMMARY: CHARGE DISCUSSED REFTEL MAY 31 WITH VICE
PRESIDENT MUBARAK, WHO THEN ARRANGED APPOINTMENT FOR
CHARGE AND AID DIRECTOR WITH PRIME MINISTER SALEM SAME
DAY. MUBARAK AND SALEM WERE TO DISCUSS MATTER FURTHER
WITH SADAT MAY 31 AND CHARGE AND AID DIRECTOR WILL MEET
WITH MINECON EL-SAYEH JUNE 1. AS MATTERS NOW STAND
EL-SAYEH WILL LEAVE ON GULF TOUR ABOUT JUNE 9, ARMED WITH
LETTERS FROM EITHER SADAT OR SALEM TO HIS INTERLOCUTORS.
AFTER PARIS CG MEETING SALEM HIMSELF MAY EMBARK ON SIMILAR
TOUR, BUT CONTRARY TO SADAT'S STATEMENT IN MAY 30 PRESS
CONFERENCE, SALEM WILL NOT ACCOMPANY EL-SAYEH TO SAUDI
ARABIA BEFORE CG MEETING. MUBARAK AND SALEM APPEAR TO
UNDERSTAND THRUST OF OUR APPROACH AND IMPORTANCE OF LINING
UP SOLID ARAB SUPPORT FOR AID TO EGYPT AT PARIS CG
MEETING. END SUMMARY.

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2. CHARGE MET MORNING MAY 31 WITH VICE PRESIDENT MUBARAK
AND REVIEWED WITH HIM POINTS IN PARAS 2, 3, AND 4 REFTEL,
EXPLAINING IMPORTANCE WE ATTACH TO PARIS CG MEETING AND
ASSURING ARAB SUPPORT FOR AID TO EGYPT IN ADVANCE OF
MEETING. TO THAT END WE SUGGEST THAT MINECON HAMED
EL-SAYEH BE ARMED WITH LETTERS FROM PRESIDENT SADAT TO

CROWN PRINCE SAUD AND AMIR OF KUWAIT BUILDING ON IMF AND IBRD CONCLUSIONS ABOUT EGYPT'S ECONOMIC PROGRESS LAST YEAR, REFORM MEASURES ALREADY UNDERTAKEN AND EGYPT'S INTENTION TO PURSUE SOLID ECONOMIC AND MANAGEMENT POLICIES. AFTER CHARGE'S PRESENTATION MUBARAK SAID HE HAD ALREADY SPOKEN TO PRINCE SAUD ON HIS LAST TRIP TO SAUDI ARABIA AND HAD IN GENERAL MADE POINTS WE HAD OUTLINED. MUBARAK BELIEVED SAUDIS WERE UNDERSTANDING OF EGYPT'S NEEDS AND PROGRESS IT HAD MADE, AND WOULD BE FORTHCOMING IN FURNISHING FURTHER ASSISTANCE. MUBARAK THEN SAID THAT HE AND PRIMIN SALEM WERE TO MEET IN ABOUT ONE HOUR WITH SADAT AND COULD DISCUSS OUR SUGGESTIONS WITH HIM THEN IF CHARGE COULD IN MEANTIME EXPLAIN OUR PROPOSALS TO PRIMIN SALEM. MUBARAK THEREUPON ARRANGED IMMEDIATE MEETING WITH SALEM, WHICH CHARGE AND AID DIRECTOR ATTENDED.

3. IN MEETING WITH PRIMIN CHARGE REITERATED IMPORTANCE WHICH USG FELT WITH REGARD TO POSITIVE OUTCOME OF FORTHCOMING CONSULTATIVE GROUP MEETING. AS AN ELEMENT OF THAT, IT SEEMS IMPORTANT THAT ARAB DONORS BE APPRAISED OF EGYPTIAN SITUATION IN ADVANCE OF CG MEETING SO THAT THEY COULD TAKE MOST POSITIVE POSSIBLE STANCE IN THE MEETING ITSELF. CHARGE WENT ON TO SAY WE UNDERSTOOD THAT MINISTER OF ECONOMY PLANNED ON VISITING SAUDI ARABIA AND KUWAIT IN ADVANCE OF THE CG MEETING AND THAT WE STRONGLY SUPPORTED SUCH EFFORTS--AND THAT IN FACT THE USG INTENDED CONFIDENTIAL

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TO MAKE BILATERAL REPRESENTATIONS WITH SAUDIS AND KUWAITIS REGARDING IMPORTANCE OF EGYPTIAN NEEDS. AMBASSADOR HAD SUGGESTED FROM WASHINGTON THAT MINECON CARRY LETTERS FROM SADAT TO SAUDI CROWN PRINCE AND KWAIT AMIR EMBODYING SADAT'S MAY 30 PRESS CONFERENCE THAT PRIMIN HIMSELF MIGHT BE GOING TO SAUDI ARABIA.

4. CHARGE NOTED THAT THERE NOW SEEMS TO BE CLEAR AGREEMENT WITHIN IMF AND IBRD THAT EGYPT'S NEEDS FOR NEW COMMITMENTS IN REMAINDER OF 1978 IS ABOUT ONE BILLION DOLLARS, WITH AS MUCH OF THIS AS POSSIBLE IN FORM OF BALANCE OF PAYMENTS SUPPORT. USG FEELS IT IMPORTANT THAT ANY GOE REPRESENTATIONS WITH ARAB DONORS BE BASED SQUARELY ON THESE IMF/IBRD ANALYSES. COMPLETION OF UNDERSTANDINGS WITH IMF ON THE EXTENDED FUND FACILITY SHOULD OBVIOUSLY HELP TO UNDERSCORE SUCH REPRESENTATIONS. HOWEVER, DESPITE ALL GOE HAS DONE SO FAR, IT IS OUR IMPRESSION THAT ARAB DONORS STILL HAVE SOME DOUBTS ABOUT INTENTION OF EGYPTIAN POLICIES AND THAT RECENT CABINET CHANGES, WHILE APPARENTLY NOT RELATED IN ANY WAY TO AN INTENTION TO CHANGE ECONOMIC POLICY, HAD RAISED QUESTIONS IN MINDS OF ARAB DONORS REGARDING EGYPTIAN POLICY INTENTIONS.

5. PRIMIN SAID HE FELT EGYPT WAS MOVING WELL ON ECONOMIC FRONT, AND WAS DOING SO WITH FULL SUPPORT OF PEOPLE'S ASSEMBLY. HE SAID AGREEMENT HAD BEEN REACHED WITH IMF ON EFF AND THAT LETTER OF INTENT WOULD BE SENT TO IMF SOON. HE SAID GOE HAD MADE FULL PREPARATIONS FOR CG MEETING AND WOULD IN FACT BE PRESENTING CERTAIN BACKGROUND DOCUMENTS FOR CG USE TO THE PEOPLE'S ASSEMBLY ON JUNE 10 (FYI: PM DID NOT SPECIFY WHAT DOCUMENTS WOULD BE DISCUSSED WITH PA, BUT WE ASSUME THIS WILL BE EGYPTIAN OVERALL POLICY STATEMENT WHICH GOE INTENDS PRESENT AT CG MEETING).

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6. HE RE-EMPHASIZED THAT THERE IS NO CHANGE IN EGYPTIAN POLICY. HE NOTED IBRD'S PAIJMANS HAD RECENTLY VISITED EGYPT AND RAISED A NUMBER OF QUESTION, INCLUDING WHETHER THE CG MEETING SHOULD BE DELAYED OR NOT. PRIMIN HAD BEEN ABLE TO CONVINCE PAIJMANS THAT GOE INTENDED TO PURSUE ITS CURRENT ECONOMIC POLICY AND TO REACH AGREEMENT WITH IMF, AND ON THAT BASIS CG MEETING WILL GO ON AS SCHEDULED.

7. WE MADE POINT THAT THIS WAS AN EXAMPLE OF WHAT WAS NEEDED WITH ARAB DONORS. PAIJMANS, AS CLOSE AS HE IS TO EGYPTIAN POLICY MAKERS, HAD COME WITH SOME DOUBTS, WHICH HAD BEEN RESOLVED IN HIS DISCUSSIONS WITH EGYPTIANS LEADERS. IN SAME VEIN, LEADERSHIP AMONG ARAB DONORS HAS SOME OF THE SAME DOUBTS, AND A THOROUGH PERSONAL CONVINCING JOB

IS NEEDED WITH THEM AS WELL.

8. PRIME MINISTER SAID THAT HE AGREED MINECON SHOULD MAKE THE TRIP BEFORE THE CG MEETING. PRESS REPORTS THAT PRIMIN WOULD ALSO GO TO SAUDI ARABIA IN IMMEDIATE FUTURE WERE WRONG SINCE EL-SAYEH WILL BE TRAVELING BY HIMSELF. CONFIDENTIAL

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HOWEVER, THE PRIMIN IS CONSIDERING MAKING A FURTHER VISIT TO SAUDI ARABIA SOME TIME AFTER THE CG MEETING.

9. PRIMIN SAID HE HAD ALREADY INTENDED TO GIVE APPROPRIATE LETTERS FROM HIMSELF TO EL-SAYEH TO CARRY TO SAUDI ARABIA AND KUWAIT. HE WOULD CONSIDER WHETHER A LETTER FROM PRESIDENT MIGHT BE MORE APPROPRIATE, ALTHOUGH PERHAPS WHAT WOULD BE BEST WOULD BE A LETTER FROM THE PRIMIN FOR EL-SAYEH TO CARRY AND THEN SUBSEQUENTLY LETTERS FROM THE PRESIDENT FOR MANDOUH SALEM TO CARRY WHEN HE MAKES HIS SUBSEQUENT TRIP.

10. IN DISCUSSING GODE, PRIMIN MADE ONE NEW POINT. HE SUGGESTED THAT GIVEN EGYPT'S CURRENT ECONOMIC SITUATION, IT WAS INAPPROPRIATE FOR GODE TO BE HOLDING BACK ON SOME OF ITS CAPITAL TO SERVE AS A GUARANTEE FOR THE BANK SYNDICATED LOAN MADE AVAILABLE LAST YEAR. GODE WILL THEREFORE WANT TO DISCUSS NOT ONLY A REPLENISHMENT OF GODE BUT ALSO THE RELEASE OF THIS \$250 MILLION.

11. CHARGE AND AID DIRECTOR HAVE TENTATIVE APPOINTMENT WITH MINECON EL-SAYEH AT NOON JUNE 1 TO REVIEW THE BIDDING IN LIGHT OF MAY 31 MEETING BETWEEN SADAT, MUBARAK, AND SALEM. WE DO NOT KNOW WHETHER EL-SAYEH WAS ALSO IN THIS MEETING. MATTHEWS

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